

Employment Challenges for Canadian Youth in a Changing Economy

A Background

Prior to the recession, 43% of the 6.8 million youth in Canada were enrolled in full-time education, 44% had completed their transition into the labour market and 13.3% were neither employed or in education (OECD, 2009). When the recession hit, the effect on Canadian youth varied: some who were ready to graduate from school delayed their transition into the labour market; some became unemployed or chose to return to school; some had to leave school because they were unable to secure sufficient income to pay for tuition; and others who were not in the labour force, became even more detached from the labour force as prospects for employment continue to stagnate.

When such considerable and involuntary changes occur in the academic and occupational trajectories of youth, profound impacts on other spheres of life can be expected, such as prolonged delays of transitions to independent living and family formation. Earning losses alone can take up to 10 years to recuperate for those who do find employment, but accept poorer quality jobs (Oreopoulos, 2006). For others whose first labour market experience is one of being unable to find work, the opportunity costs can have long-term consequences for their entire careers, particularly for those without family or community support to get them through prolonged periods of joblessness.

In Canada, as in many other countries, governments are called upon to enable supports and mobilize other actors, including employers, to address the challenges today's youth are facing, and to help them successfully transition into the world of work.

The Economic Downturn and its Impact on Youth Employment

During the most recent recession, the Organization for Economic Co-operation and Development (OECD) reported that its member countries as a collective experienced an economic contraction of 4.7% between the first quarter of 2008 and the second quarter of 2009 (OECD, 2010). The unemployment rate in the OECD countries rose from a 28-year low of 5.8% in late 2007, to a post-war high of 8.7% in the first quarter of 2010, resulting in more than 17 million additional unemployed persons (OECD, 2010a).

For more vulnerable groups, the economic downturn has had even greater effects both in Canada and elsewhere. One such group are youth aged 15-25. In 2011, 74.8 million youth were unemployed worldwide, representing an increase of 4 million since 2007. The current global youth unemployment rate of

12.7% remains a full percentage point higher than the pre-crisis level (ILO, 2012).

Youth unemployment rates reached record-high levels in the United States, the United Kingdom, and Australia. Comparing pre-downturn (2007) with post-downturn (2010) unemployment rates, a notable increase can be observed (see Table 1). Even Australia, which managed to avoid a recession, still suffered from a significant increase in youth unemployment.

Table 1: Youth (15 to 24) Unemployment Rates Pre-Downturn and Post-Downturn

<i>Countries</i>	<i>Pre-Downturn (2007)</i>	<i>Post-Downturn (2010)</i>
Canada	11.2%	14.8%
US	10.5%	18.4%
UK	14.4%	19.1%
AUS	9.4%	11.5%

Source: OECD, 31 August 2011: <http://dx.doi.org/10.1787/unemp-yth-table-2011-1-en>

Young people are disproportionately affected by business cycles as they typically lack experience and seniority. Consequently, they are often the “last in, first out” (OECD, 2009). Likewise, youth may lack the knowledge and financial resources to support themselves through the course of the job search process (ILO, 2010). Limited employment prospects compel many young people to accept any available job. For youth that are unable to secure full-time jobs, many become trapped in low paid, precarious, part-time employment, and many are employed in occupations that do not correspond to their skills. In Canada for example, many post-secondary graduates become trapped in underemployment for up to five years (Frenette, 2003).

Recently, fears have been expressed about a potential side effect of the economic crisis: the creation of a “lost generation” of youth (ILO, 2010). One of the concerns for young people enduring the effects of a recession is the risk of long-term “scarring” due to negative early labour market experiences, which include persistent difficulty in finding employment and lower incomes compared to their peers (OECD, 2011b). An inability to find employment can also create a sense of uselessness and idleness that can lead to increased crime, mental health problems, violence, conflicts and drug abuse (ILO, 2010). Even among employed persons, those who enter the labour market in weak economic conditions may suffer from underemployment, and are more likely to experience job mismatching, since they have fewer jobs to choose from (Kahn, 2009).

The Situation in Canada

Labour market participation and productivity are central to maintaining and improving Canada's standard of living, and increasing youth employment will be essential to this moving forward. Indeed, raising the labour market participation of underrepresented groups such as youth can help to mitigate the impact of slowing labour force growth, and to sustain aggregate participation rates. Thus, in order to ensure Canada's future prosperity, youth who are currently unemployed, underemployed, mismatched, or inactive will continue to be an important focus of employment policy..

Although Canada's labour market is recovering faster than that of many other countries, the unemployment rate for youth remains high. For instance, the unemployment rate for Canadians aged 15-24 peaked at 16.4% in July 2009, and has only decreased marginally since (e.g., 14.7% in February 2012). Moreover, an examination of Canada's last three recessions reveals a pattern, wherein youth have consistently experienced the highest unemployment rates compared to other groups.

Although the Canadian economy has fared better than many other economically advanced nations following the recession, there remains a significant degree of uncertainty regarding the overall strength of the recovery and the extent to which youth employment rates will improve. As of August 2011, only 19% of the jobs youth lost during the recession had been recovered.

In the context of the recovery, there are two sub-groups of youth that require special attention: 1) "Poorly-Integrated New Entrants" (PINEs), described as youth who are unable to effectively join the labour market in a meaningful way; and 2) youth that are "Not in Employment, Education or Training" (NEET). The mere existence of these subsets suggests that further investigation by policy makers and other stakeholders involved youth employment is required.

Canadian Youth who are "Poorly Integrated New Entrants"

There are a number of educated, work-ready youth who are unable to successfully integrate into the labour market, and who suffer from either episodic or persistent under-employment. This sub-group of youth are referred to as "Poorly Integrated New Entrants" (PINEs).

According to a 2012 (unpublished) Statistics Canada study, there are about 5.5% of Canadian youth who are out of school and who can be considered "poorly integrated". Put another way, this means that there are more than 450,000 Canadian youth who are potentially at risk of becoming part of what the ILO refers to as "the lost generation". The prolonged recovery of the economy, coupled with their increased disengagement from the labour market, may cause

these youth to be overlooked by employers in favour of more recent graduates with more up-to-date skills who will be looking to enter the labour market once the economy improves (OECD, 2010b).

While PINE youth have often completed post-secondary education, the shortage of positions in the labour market commonly leads to overqualified youth settling for jobs with lower employment requirements. In some cases, youth may find the labour market saturated with equally qualified new entrants, and end up accepting any employment as opposed to employment that matches their skill levels.

Canadian Youth who are Not in Employment, Education or Training

While high youth unemployment rates due to the economic downturn are important to address, a more persistent issue is the rise in the number of young people who are disconnected from education and the labour market altogether. The OECD identifies these individuals as the “youth left behind” (OECD, 2010b). The “Not in Employment, Education or Training” (NEET) youth can be considered a proxy for this group.

According to a 2012 (unpublished) Statistics Canada study, 13% or 906,000 youth aged 15 to 29 can be considered NEET. The rate of NEET youth has been stable (between 12% and 14%) in Canada over the past decade, and is comparable to the European average of 12.5% (OECD, 2010).

There are two main sub-groups of unemployed youth within the NEET category: 1) those available and actively looking for work; and 2) those not in the labour force because they are unable to work, not available or not looking for work.

Of the 13% of youth in Canada that are considered to be NEET, 5.7% are unemployed (of which approximately 1% is experiencing long-term unemployment greater than six months). The remaining 7.6% considered NEET are not in the labour force, meaning that they are neither employed nor unemployed. Among this group, there are those who are voluntarily in this situation (for example, if they are taking care of a child) and those who are not. The 36% who are involuntarily in this situation would, for example, like a job, but have given up looking because they do not believe any work is available.

As a result, when we add the unemployed youth and youth who are involuntarily not in the labour market, we find that there are 63% of the overall NEET youth population (570,000) who are in a vulnerable situation and who could benefit from employment programming support.

Canadian Youth without the Literacy and Essential Skills Required for Employment

Some youth face challenges in gaining meaningful employment due to their lack of foundational literacy and essential skills that are required to successfully integrate into the labour market.

The 2003 International Adult Literacy Survey results indicated that 37.8% of Canadian¹ youth aged 16 to 25 did not have the literacy and essential skills required to function well in today's knowledge-based economy (Statistics Canada). This is especially problematic when we consider that basic skills such as reading, writing, computer use and oral communication are integral in employing effective job search strategies, such as completing a job application (in person or online) or excelling in an interview.

In addition, Canadian employers have noted that high school, college and university graduates often have exceptional technical skills, but lack the "soft skills" necessary to secure employment in today's growing service-based economy.

Emerging Effective and Innovative Responses

To address challenges arising from a changing economy, many countries are shifting their focus to early integration strategies for youth at risk of dropping out of high school, and failing to acquire necessary skills and qualifications. These strategies have required broadening the scope and range of formal education with alternative pathways such as increased emphasis on career counselling and career education, as well as vocational training, apprenticeship programs and community colleges, all in an effort to help support a stable labour market transition. For youth who attain post-secondary education but remain under- or unemployed, new policies and programming have been put in place to support further skills upgrading to better support the transition into employment (Miner, 2010).

Given their responsibilities for ensuring economic prosperity and a well-functioning labour market, governments know they need to invest in their young people. Investment in youth is an investment in the economy. It is an opportunity to utilize the potentially large dividend of today's sizeable youth cohorts, which, in turn, can translate into high economic growth (ILO, 2010). If untapped, the potential consequences of high youth unemployment are quite significant and can result in entrenched unemployment and the creation of a scarred generation.

To make a real difference, many governments around the world are calling upon leaders in local communities, partners in service delivery, employers, and educators to share the responsibility for preparing youth for the jobs of tomorrow.

¹ Excluding territories (2003)

Employers, in particular, can play a major role in opening doors for low-skilled youth who are disconnected from both employment and education. Employers can also play a role in: designing innovative approaches to support youth employment; advising youth on educational and career choices; and providing on-the-job training opportunities to ensure all youth are equipped with relevant skills.

Policy Questions Moving Forward

Investing in youth employment has many positive benefits for the economy, including boosting consumer demand and adding to tax revenue (ILO, 2005). At the same time, the demand for social services decreases when youth are employed and become self-sufficient and able to actively contribute to society (ILO, 2005). Affirmative work experiences during early career development are positively correlated with long-term career prospects. This is true for both low- and high-skilled youth who often need applied experience to integrate into the labour market.

While the situation of young Canadians today is comparatively better than in several other countries and when compared to prior recessions, there are still very good reasons to worry about the unique challenges faced by this generation of young workers. The following key questions could be kept in mind when determining how best to provide continued support for youth, particularly for PINE and NEET youth:

- What are the specific challenges facing PINES in Canada and also youth attempting to move from NEET status into employment, education or training?
- What are the most effective strategies to tackle the skills mismatches and to strengthen the labour market attachment for youth?
- What remedial approaches exist for supporting Canadian PINES post-graduation?
- Which stakeholders are best placed to engage NEET youth and what should their role be?
- What is the potential for demand-side strategies for NEET and PINE youth and what role can employers play?

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